

STATEMENT OF  
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BEFORE THE  
COMMITTEE ON SMALL BUSINESS  
SUBCOMMITTEE ON CONTRACTING AND TECHNOLOGY  
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

**Ensuring Stimulus Contracts for Small and Veteran-Owned Businesses**

WASHINGTON, DC

MARCH 12, 2009

MR. CHAIRMAN AND MEMBERS OF THIS SUBCOMMITTEE:

On behalf of the 2.2 million members of the Veterans of Foreign Wars of the United States and our Auxiliaries, I would like to thank this committee for the opportunity to testify and for its rigor in pursuing contracting issues on behalf of veterans. The issues under consideration today are of great importance to our members and the entire veteran population.

During this economic recession the number of unemployed veterans has increased to nearly one million as of January 2009. That is an increase of more than 400,000 since November 2008 and an increase of more than half of one million since April of 2008. There are twice as many unemployed veterans as there were one year ago and there are as many unemployed Iraq and Afghanistan veterans as there are men and women currently serving in Iraq. Make no mistake; our servicemembers are leaving Iraq, coming home, and fighting another war against unemployment, homelessness, bankruptcy, and a host of medical conditions. With a lack of opportunity many servicemembers are likely considering self-employment. Unfortunately, the economic stimulus was stripped of the language that would facilitate a stimulus for veterans in both business and employment. Furthermore, a large amount of the stimulus will be spent in the form of state grants thereby bypassing federal laws in regards to contracting.

The strongest predictor that an individual will become self-employed is military service. Currently, 14.6% of veterans are self-employed and with our economic climate this number will likely rise, especially if we give them the tools they need to succeed. Also, veterans' entrepreneurship creates a win-win for veterans' unemployment because veterans are more likely to hire veterans thereby reducing veterans' unemployment. However, for a veteran interested in entrepreneurship the reality is quality resources are extremely scarce and available to few.

### ***Many Veterans Have Little or No Access to Capital***

Veterans' entrepreneurship and small business faces four fundamental issues; little or no access to capital, little access to entrepreneurial education, the failure of government agencies to comply with Federal Procurement laws, and the lack of parity for Small Disabled Veteran Owned Businesses (SDVOSB) versus other programs. First, and of the utmost importance, is veterans access to capital needs to be increased. For many veterans the Patriot loan program is not an option because they are being denied by lenders even with the guarantee. The VFW suggests creating a direct loan program funded in conjunction with a stronger Patriot loan program or a hybrid loan that would mix certain characteristics of the guarantees and direct loans. This would create an array of financial tools available to veteran startups and veterans in business. Different types of loans would constitute different conditions of lending based on the situational factors of the veteran.

### ***Veterans Lack Entrepreneurial Educational Assistance***

There is an extraordinarily small amount of resources being diverted towards educational programs for veterans' entrepreneurship. Part of the problem is that the National Veterans Business Development Corporation (TVBC), which was created by Congressional funding in 1999, was supposed to do just this. Unfortunately, this program lacked necessary oversight and much of the funding was abused and misused by its leadership.

The VFW fully supports the concept of moving and expanding TVBC's veteran business centers under the purview of the SBA. SBA currently maintains five business centers and would be the likely fit to fund and conduct oversight of the three business centers that were being occasionally funded

by TVC. However, eight veterans' business centers are insufficient for the national demand for these services. Not one member of this entire committee has a veteran small business center located in their Congressional district.

In fiscal year 2008, SBA's operational budget (excluding personnel costs and overhead) was \$888,000. This funded SBA's five business centers and various forms of outreach. The VFW would like to see these programs greatly expanded to include various locations throughout the country.

### ***Lack of Legal Compliance by Federal Agencies***

The Veterans of Foreign Wars is frequently notified of governmental agencies failure to abide by the laws outlined in *P.L. 106-50*, *P.L. 108-183*, *P.L. 109-461*, and *P.L. 110-186*.

In regards to *P.L. 106-50* nearly every agency has continually and consistently failed to reach their outlined mandate of 3% of all federal contracts for SDVOSB's. In Fiscal Year 2008, preliminary numbers suggest 1.4% of all federal contracts went to SDVOSB's. It has been 10 years since *106-50* was signed into law and we can say we are halfway there, almost.

In regards to *P.L. 108-461* and *109-461*, the VFW hopes to see the VA and other agencies utilize sole-source and noncompetitive procedures to help them meet their mandated minimum of 3% of all federal contracts. The VFW strongly believes that this procedure should particularly increase in federal agencies like DoD that are egregiously failing to abide by government mandates and are failing its former servicemembers in favor of large corporations like Halliburton and KBR.

*P.L. 110-186* is intended to increase the number of veterans' small business centers. SBA has not received any funds in order to carry out this mandate. Furthermore, *P.L. 110-186* calls for the creation of an Interagency Task Force. Nearly one year later the Task Force is still non-existent.

### ***Lack of Parity for SDVOSB's***

GAO recently made a decision that states "a contracting agency, before proceeding with an SDVOSBC set-aside, must first reasonably consider whether the conditions for a HUBZone set-aside

exist, and, if they do, agency must proceed with a HUBZone set-aside.” This decision rests solely between the interpretations of two words—shall and may. Because HUBZone’s language in the Federal Acquisition Regulation includes “shall” instead of “may” GAO ruled that HUBZone has priority and the programs lack parity. The Veterans of Foreign Wars strongly objects to this determination and strongly urges Congress to return parity to the aforementioned programs.

### ***Capital, Training, Compliance, Parity***

In order for veterans to succeed in small business we need training, capital, compliance, and parity. If the VFW were to sum up the current state of veterans business and procurement in one word it would be complacency. There are extremely limited options in regards to veterans’ access to capital, few options for education, and a host of federal agencies that after nearly a decade continually, and willfully, fail to abide by their public mandates. These agencies failure to abide by these mandates for such an extended period of time challenges the very authority of this body by woefully ignoring the laws it passes. If the past is any indicator we will be back next year looking at slightly better numbers, but hearing the same old song from the agencies in question.

The VFW demands, in compliance with the laws our veterans so proudly defended, that 3% of these economic stimulus contracts go to small disabled veteran owned businesses. To help alleviate the one million unemployed veterans the VFW also calls on the veteran businesses that receive these contracts to publicly establish a veteran’s preference.

As America’s largest group representing combat veterans, we thank you for allowing the Veterans of Foreign Wars to present its opinion on federal contracting in regards to the economic stimulus package. Veteran entrepreneurship if expanded is a win-win for everyone including the government and America’s taxpayers.

Mr. Chairman, this concludes my testimony and I will be pleased to respond to any questions you or the members of this Subcommittee may have. Thank you.